

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

ATTORNEY GENERAL'S FIRST SET OF DOCUMENT AND  
INFORMATION REQUESTS

D.T.E. 05-35

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Date: July 26, 2005

Information Request AG-1-5

Q. The Company states that it will experience its first city gate capacity shortfall in 2005/2006. The ConneXion project will not be online until 11/1/07 at the earliest. How will the company satisfy the 2005/2006 shortfall?

A. Please refer to the Company's response to AG-1-1. The Company is currently evaluating its needed supply requirements for the year 2005/06 as found in Schedule TEP-2 and it will add any requirements prior to the beginning of the heating season. The Company's forecast as shown in Schedule TEP-2 page 1 of 3 indicates that the Company will need to rely on "Other Purchased Resources" of 752,000 MMBtu over the winter 2005/2006 to meet firm sendout requirements. As noted in the Company's last approved Supply Plan (D.T.E. 01-105) at page 113, Other Purchased Resources are short-term arrangements and market area purchases that the Company undertakes to achieve a higher utilization of existing portfolio resources and to conserve storage and on-system supplemental resources during the winter period.

Until the Company elects to secure incremental firm capacity to its city gates, then on a daily basis during the peak period, the Company takes advantage of market-area resource opportunities to bring gas supplies to the Company's citygates. These "purchased resources" may take the form of a citygate-delivered supply, gas supply purchases in the market area delivered to the Company's citygates on Company-owned capacity resources, or short-term capacity purchases that can be utilized to transport gas supplies when needed. This purchasing strategy minimizes the cost of the resource portfolio because: (1) the Company is generally not incurring demand charges for capacity that is not needed on a design-day basis; and (2) the Company is able to better utilize existing transportation capacity that is available when underground-storage supplies are not being transported to the Company's citygates.

However, on a design day, the Company relies on all of its available resources to meet customer requirements and there is no “back-up” capacity to ensure deliveries at the Company’s citygate. Therefore, the resource portfolio must have sufficient capacity entitlements to meet design day sendout requirements.

Schedule TEP-2 page 3 of 3 indicates a need for Other Purchased Resources of 9,000 MMBtu to meet peak day sendout in 2005/2006. Although this need is fairly small in relation to the Company’s total peak day requirement, the Company will be seeking a short-term firm source of supply, likely in the form of a peaking service, to meet the design day need.